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where they get recipient on; the dollar amount is not that significant. I think the total dollar amount you're talking about is \$16 million to \$20 million annually, but the major one, High-Cost Loop, they're not exposed to.

So we didn't see the exposure that you mentioned others see on this. We are not as concerned, and we're very bullish that this industry makes a lot of sense, and are very focused on focusing on the revenue line and working with customers and delivering the best service possible.

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**Jason Armstrong** - *Goldman Sachs - Analyst*

Okay great, thanks.

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**Operator**

Phil Olson, UBS.

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**Phil Olson** - *UBS - Analyst*

Thanks; I have a couple of questions, actually 2 quick ones. Can you maybe give just a quick summary of the bridge that you obtained, specifically the kind of maturity on it, whether or not it is a secured or unsecured facility? And then secondly with respect to the ultimate financing for the transaction, how much of the \$400 plus million of cash-in-hand that you have currently would you intend to use as a purchase, and as a result how much of term do you think you'll need to issue as part of the deal? Thanks.

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**Don Shassian** - *Citizens Communications - CFO*

Phil, the \$990 million bridge facility from Citigroup is unsecured; it is approximately 12 months from the day of closing, and we think it gives us a great deal of flexibility as to the timing of when we want to go into the public markets.

The \$990 million is a max number; we have as I mentioned earlier and you just alluded, we have a very significant amount of cash on the balance sheet. It is premature at this juncture to specifically lay out what we'll be doing at closing as we look at our business and the financing of that debt over the, at closing. And we'll obviously be considering the cash that we have on hand. But the \$990 is a max number, so it could be less, but it's difficult for me to give guidance at this point in time as we analyze what our alternatives may be. Does that help?

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**Phil Olson** - *UBS - Analyst*

I guess just as a follow up; I think in the past you've indicated that the run rate cash balances you'd be comfortable in the \$50 million to \$75 million range. Has anything happened that would have caused you to have changed that target?

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**Don Shassian** - *Citizens Communications - CFO*

No, I'm not sure about the \$50 to \$75; I've always said that we'd want to be north of \$100; ballpark of about \$125 million is what we feel comfortable with. That is more of an appropriate level of cash for us on a recurring basis; \$50 to \$75 is a little bit low from my standpoint.

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**Phil Olson** - UBS - Analyst

That's great; thank you.

**Operator**

Anna Goshko, Banc of America Securities.

**Anna Goshko** - Banc of America Securities - Analyst

Hi, thanks very much; just a quick follow up on the prior question. On the \$150 million of debt that was and still is to be repurchased with I think largely the proceeds from the ELI sale, is that something like your share repurchase that is now on hold until the whole transaction closes, or are you still free to go into the market and repurchase debt at this point? And if you are free, is that something that you would pursue?

**Don Shassian** - Citizens Communications - CFO

Anna we are free to pursue the debt, but we are really trying to analyze that. What we are planning to do in conjunction with the financings of this transactions, and also with our '08s that are coming up in the next year beyond, so we want to look at a total view of our debt portfolio and not look at it in isolation. So we answer yes, we are free to do, but we are looking at it in totality to make sure we do things that are smart for our structure and how we balance things out, and schedule our maturities over the next many years.

**Anna Goshko** - Banc of America Securities - Analyst

Okay, and then a second follow up on the question; I think you said that your bridge loan is unsecured. If you were to put term loan financing, do you know if that would be secured, or would that also be unsecured?

**Don Shassian** - Citizens Communications - CFO

Unsecured.

**Anna Goshko** - Banc of America Securities - Analyst

Okay great, thank you.

**Operator**

Jonathan Chaplin, JP Morgan.

**Jonathan Chaplin** - JPMorgan - Analyst

Good morning, thanks for taking the question, and congratulations on the transaction. A couple of housekeeping questions first. I missed the beginning of the call; you probably said when you expect the deal to close, but I missed that.

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**Maggie Wilderotter** - *Citizens Communications - Chairman, CEO*

It's mid-2007.

**Jonathan Chaplin** - *JPMorgan - Analyst*

So the synergies of a-third, a-third, a-third is that on a fully annualized basis, or do you expect to get \$10 million of synergies in 2007?

**Don Shassian** - *Citizens Communications - CFO*

It's really saying a-third, a-third, a-third Jonathan; it all depends on the timing of closing and also our ability to work with Commonwealth at the appropriate time before closing, and what we're able to really get moving on in the system side. And I just think from a guidance perspective at this juncture, until all of those t's are crossed and i's are dotted, one-third, one-third is an appropriate amount in the first full year and the next full year and the next full year.

**Jonathan Chaplin** - *JPMorgan - Analyst*

Okay, so assuming you close in mid-'07, just so I understand the guidance correctly, what you're saying is you get \$5 million in synergies in 2007.

**Don Shassian** - *Citizens Communications - CFO*

It certainly could be more than that, but it really depends on the success of the transition activities.

**Jonathan Chaplin** - *JPMorgan - Analyst*

Okay, and then quickly on the synergies; I know this has come up a couple of times already; I'm sorry to harp on about it, but the, if I look at the synergies as a percentage of the target's SG&A, it seems to be around 50%, which is a lot higher than we've seen for transaction, for ILEC transactions in the past. I'm just wondering if there is anything unusual about this particular transaction or the cost structure which allows you to get a greater percentage of synergies at the center of SG&A.

**Don Shassian** - *Citizens Communications - CFO*

As I've looked at them Jonathan I don't see what we're coming up with as being disproportionate than the synergies that have been announced on other transactions. We may be using different calculations, but as we've done it, and I can chat offline, we feel it's very comfortable. There is nothing that's unusual here. In this industry, there are 3 buckets of costs; there are field costs, which is the people that are out in the field delivering service day to customers in terms of insulation and dealing with troubles in construction; and then there are common costs across the infrastructure that are you have IT systems, you have various call centers, repair centers, network centers, and many of those costs you can look at and potentially find ways of leveraging some of your own capabilities, different technologies, etc.

And then the third bucket is what I call corporate governance, a cost which in a transaction like this also is very heavily weighted where you should be able to look at those as purely duplications.

So we actually do not see that the number that we're quoting here as disproportionate at all, and the bankers we've utilized to look at analyses of all the other transactions we think it's very much in line with other transactions.

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**Maggie Wilderotter** - *Citizens Communications - Chairman, CEO*

I would also add that if you think about our business today, we have over 40% of our costs today are really fixed costs that can be leveraged across multiple markets. And about 60% of the costs are variable and a lot of them have to do with the field level. And as Don said, if you just really look at how Commonwealth is set up today, there are a number of costs that are very easy for us to take out based upon the fixed cost structure we already have in place.

We have done a fairly deep analysis from an operating plan on how we would run these markets, how we would manage them and how we would integrate them. So I think that we do have the capability and we do have the path to get to the \$30 million.

**Jonathan Chaplin** - *JPMorgan - Analyst*

Okay, and just in terms of understanding the opportunity for the reduction in field costs, where are your closest existing properties to Commonwealth's properties?

**Maggie Wilderotter** - *Citizens Communications - Chairman, CEO*

We don't really see reductions in field costs. We think that our properties are close, but they are not contiguous and we do believe that the field infrastructure that Commonwealth has will remain intact, including the people that are focused on taking great care of customers in those markets. Our primary focus has really been in the other 2 buckets; the corporate governance bucket and the system buckets.

**Don Shassian** - *Citizens Communications - CFO*

And their field force statistics, the service quality is very, very good, their productivity is very good, they run a very good operation. There are very good people there and delivering very, very good service, and we're very comfortable with that. So it is the other 2 buckets.

**Jonathan Chaplin** - *JPMorgan - Analyst*

Okay, and then you guys have recently sold off your SELIG business. Is there an opportunity for you to monetize CTSI as well?

**Maggie Wilderotter** - *Citizens Communications - Chairman, CEO*

Well, I think we will take a look at all the options with regard to the SELIG, but this is a very different SELIG than the SELIG we just sold. First of all, Electric Light Wave was really not overlapping in any of the markets where we did business except for 1 market in California. So it wasn't an edge-out strategy. If you think about Commonwealth, they really used the SELIG as a vehicle to service businesses in a greater service area. Because their footprint is so rural, they have cities like Scranton or Wilkes-Barre that are outside their territory but it's the common area for their customer base. So they use the vehicle of a SELIG to really extend their business reach.

It's not very different than what we've actually done from a vehicle perspective in Rochester where we actually have a SELIG entity as well, but we run it as part of the ILEG operation, so we would probably see doing exactly the same thing in the Commonwealth markets that we can combine operations to get synergies and also continue to offer business products that extend out of the reach but contiguous to the markets where they do business.

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**Jonathan Chaplin** - JPMorgan - Analyst

Got it; and then finally if I may where can I get a copy of these slides? The only ones I've been able to find so far are attached to the webcast and we can't print those or scroll through them.

**Don Shassian** - Citizens Communications - CFO

They're on our website; that probably is the best way to get them Jonathan. I believe they should be on there, and that should be able to be printed down off of that. And if there is a problem, give us a yell. But my understanding is, people in the room are giving me the high sign that they are on our website. Jonathan, it'll be on after this call, it'll be on after the call.

**Operator**

Thomas Egan, JP Morgan.

**Thomas Egan** - JP Morgan - Analyst

Oh hi, thanks if you can stand one more bond question. Just to be clear, I wanted to make sure the bridge facility, that will be at the parent Company, Citizens Communications?

**Don Shassian** - Citizens Communications - CFO

It will not be at the subsidiary if that's your question.

**Thomas Egan** - JP Morgan - Analyst

Yes it is.

**Don Shassian** - Citizens Communications - CFO

No, either the parent or some other parent affiliate, but it will not be down at the operating level. We do not see the debt as being an issue that will be put forth in the regulator environment. It'll be at the top level.

**Thomas Egan** - JP Morgan - Analyst

Okay, and then one other thing; you mentioned that you thought that the Commonwealth Telephone owners of the converts would convert, and it looks like they probably would. Do you have a sense of what the cash component of that is? I know there's a dividend adjustment. I could do the math and I get about \$165 million for straight-up convert, but I know this is dividend adjustment. Could you give us an idea what the total cash component of that would be in your estimation?

**Don Shassian** - Citizens Communications - CFO

There's 2 components to that; the new convert is about \$65 million in cash.

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**Thomas Egan** - JP Morgan - Analyst

Right.

**Don Shassian** - Citizens Communications - CFO

And let me see if I can pull up the other component of this. I'm not sure if I've got it handy right in front of me.

**Thomas Egan** - JP Morgan - Analyst

I can check back after the call.

**Don Shassian** - Citizens Communications - CFO

You can check it, but we are expecting, the new component is about \$65 million, and the balance then has the combination.

**Thomas Egan** - JP Morgan - Analyst

All right.

**Don Shassian** - Citizens Communications - CFO

I'll have Don Armour give you a call afterwards.

**Operator**

Dean [Asofti], Credit Suisse.

**Dean Asofti** - Credit Suisse - Analyst

Good morning, thanks; just a couple of quick questions. On the Commonwealth side, will they be continuing to pay their dividend until you close?

**Don Shassian** - Citizens Communications - CFO

Yes, this is business as usual for them. Obviously, you can ask them, but they're planning they'll operate this business, we'll be operating this business as a separate stand-alone business as they are a public company, and they'll continue running that business as the can; they're dealing with all their stake holders as they have been, in a very professional, upstanding way.

**Dean Asofti** - Credit Suisse - Analyst

Okay; is there a breakup fee in this deal?

**Don Shassian** - Citizens Communications - CFO

There is, \$37 million.

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**Maggie Wilderotter** - *Citizens Communications - Chairman, CEO*

Three percent.

**Dean Asoftl** - *Credit Suisse - Analyst*

All right, that's it for now; thank you very much.

**Operator**

[Boyd Eichner, BNT Paramount.]

**Boyd Eichner** - *BNT Paramount - Analyst*

Hi, just a follow-up question on the CTCO outstanding convert; technically what exactly are CTCO holders of the convert will be forced to convert out, or are you just assuming that they're going to convert out because of where the strike price is?

**Don Shassian** - *Citizens Communications - CFO*

It is the latter; we assume that the strike price will make it very attractive for them to do so. If they don't, we'll have to put them into a convertible, but we would expect them to convert. It will be, I think, economically attractive for them to do it.

**Boyd Eichner** - *BNT Paramount - Analyst*

And what portion of the convert holders will be treated the same way as the shareholders in that you're getting a fixed amount of cash and a fixed amount of the stock ratio?

**Don Shassian** - *Citizens Communications - CFO*

Both, the same transaction, same economics.

**Don Armour** - *Citizens Communications - VP Finance and Treasurer*

We'll take one more question please.

**Operator**

[Demetri Triandifilia], Wachovia.

**Demetri Triandifilia** - *Wachovia - Analyst*

Thank you, good morning; either on the bridge and also on the transaction, is there a material adverse change clause?

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**Don Shassian** - *Citizens Communications - CFO*

Yes.

**Demetri Triandifilla** - *Wachovia - Analyst*

Okay.

**Don Shassian** - *Citizens Communications - CFO*

And they are the same. They are linked; the material adverse change clause in the merger agreement is exactly the same as it exists in the financing commitment bridge facility we have with Citigroup.

**Demetri Triandifilla** - *Wachovia - Analyst*

Okay fantastic; and then assuming are there any price adjustment if access line trends on Commonwealth were to deteriorate further than recent trends, is there room for a price adjustment on the transaction and let it still go through?

**Don Shassian** - *Citizens Communications - CFO*

Material adverse change.

**Demetri Triandifilla** - *Wachovia - Analyst*

Oh and that is it?

**Don Shassian** - *Citizens Communications - CFO*

Yes sir.

**Demetri Triandifilla** - *Wachovia - Analyst*

And on the directories, or the JV for Commonwealth, who is the JV partner there?

**Don Shassian** - *Citizens Communications - CFO*

Oh boy, why am I drawing a blank – I apologize for this. I think it's Donnelly. I'm saying that with a little bit of hesitation; I'm drawing a blank. I apologize.

**Demetri Triandifilla** - *Wachovia - Analyst*

No problem.



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**Maggie Wilderotter** - *Citizens Communications - Chairman, CEO*

But it's a different partnership than we have. It also has a contract where we can make a change based upon change of control. So one of the things we would do is analyze the directory business to look at synergies with our directories as of today.

**Demetri Triandifilla** - *Wachovia - Analyst*

Okay great; that was -- okay fantastic.

**Operator**

There appear to be no further questions at this time. I will turn the call over to Maggie Wilderotter for closing remarks.

**Maggie Wilderotter** - *Citizens Communications - Chairman, CEO*

Well again, I want to thank you all for spending the time with us this morning to go through this announcement. As I said in the beginning, we are very excited about this opportunity; it's very strategic for the Company; it's an extension of our basic business; it does provide for great financial flexibility for us in the long run. And it also allows us to take our sales and marketing approach and customer focus and extend that into the Commonwealth market.

I also want to again mention that we believe that the Commonwealth leadership team has done a great job with these markets in managing them, and we will pick up on that momentum and take it to the next step.

So thanks again for joining us this morning.

**Operator**

This concludes today's Citizens Communications Conference Call. You may now disconnect.

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**Exhibit E**

**TelMeDaily - US Version****Research in Focus****■ DAILY RAP: Introducing the \$80 triple-play**

The pricing for the voice/video/data bundle hit a new low recently with Citizens' launch of a triple-play bundle in 11 markets for \$80 per month for the first year of service. The offer is for customers signing up for a 2-year contract with the company and the price of the triple-play increases to \$120 per month...

**■ CITIZENS: Highlights from preliminary proxy**

On 7 November, Citizens Communications (CZN) filed the preliminary proxy for its pending merger with Commonwealth Telephone (CTCO). The proxy included pro forma financial results and a detailed description of the background to the merger...

**■ CITIZENS: Walking the tight rope between margins and growth**

Citizens reported mixed third quarter results as better than expected revenues were offset by lower margins leading to lower than expected EBITDA of \$277.7M vs. our estimate of \$281.7M. Margins declined 220 bps sequentially to 54.8% (UBSe 55.8%) on higher costs....

**8 November 2006**[www.ubs.com/investmentresearch](http://www.ubs.com/investmentresearch)**John C. Hodulik, CFA**

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- DAILY RAP: Introducing the \$80 triple-play
- CITIZENS: Highlights from preliminary proxy
- CITIZENS: Walking the tight rope between margins and growth
  
- NOTES

### **DAILY RAP: Introducing the \$80 triple-play**

- John.Hodulik@ubs.com
- Gaurav.Jaitly@ubs.com

The pricing for the voice/video/data bundle hit a new low recently with Citizens' launch of a triple-play bundle in 11 markets for \$80 per month for the first year of service. The offer is for customers signing up for a 2-year contract with the company and the price of the triple-play increases to \$120 per month in the second year. Citizens offers video through its resale arrangement with EchoStar and the offer includes the Dish Network's 200 channel digital package. The company trialed the offering in its most competitive market of Rochester, NY for six weeks in the third quarter and suggested that it saw a big surge in demand and experienced the lowest access line losses during the quarter in the market since the launch of Time Warner Cable's VoIP offering in 2005. Management suggested that it added over 2000 new Dish video subscribers in the market over that period.

Customers in the 11 markets have the choice of substituting the TV offer with a free Dell PC. The company is also offering the free PC to "new" high-speed subscribers in its remaining markets. These new HSI customers can get a double-play voice and data bundle for \$60-\$90 per month along with the free PC when they sign up for a 2-year contract. Existing high-speed customers need to sign a 3-year contract to avail of the "free PC" offer. Management believes these new aggressive promotions will help invigorate broadband growth in Citizen's markets and suggested that October was the best month for high-speed sales for the company since January 2005 (the company added a record 30.5K DSL subs in 1Q05).

While the new bundles should help drive increased broadband penetration for Citizens and help reduce access line losses, we believe the net financial impact for the company depends on cable's competitive response. It is hard to imagine that Time Warner will stand still if Citizens' continues to have success with its offers. We believe this could force Time Warner and other cable competitors to get more aggressive with the pricing of their bundle in Citizen's markets. In addition, the free PC offer could lead to higher bad debt expense for the company and increased churn after the promotion period is over. We note that the old SBC had attempted a similar strategy in the late 90s which led to big surge in uncollectibles due to customer non-payment once they had received the PC. Management is trying to limit this by putting in place a high contract termination fee.

## **CITIZENS: Highlights from preliminary proxy**

■ [Phillip.Olesen@ubs.com](mailto:Phillip.Olesen@ubs.com)

On 7 November, Citizens Communications (CZN) filed the preliminary proxy for its pending merger with Commonwealth Telephone (CTCO). The proxy included pro forma financial results and a detailed description of the background to the merger. According to the proxy, CZN initially proposed a 50/50 funding mix between cash and equity for the merger financing. CZN only raised its cash portion to the agreed upon 75% once it became clear that the two other bidders were proposing all-cash deals as CTCO had requested. The other bidders in the auction were not named, although they were strategic buyers. The willingness of the other buyers to pursue all cash deals reinforces our concerns regarding CenturyTel and Embarq as we believe both of these companies would be prepared to sacrifice financial flexibility for the right strategic transaction.

CZN estimates the CTCO deal will have an enterprise value of \$1.2bn, including an estimated \$20m in fees and \$38m to buy out options. CZN expects to issue \$280m in equity, with the balance funded under its \$990m unsecured bridge. CZN expected to redeem \$67m of the CTCO converts for cash, with the remaining \$233m to be converted into CTCO stock which will then receive the merger consideration. We expect CZN to tap the debt market prior to closing for the permanent financing. In addition, we believe CZN could issue debt in the near-term to prefund a portion of its large 2008 debt maturity, with the balance of the '08s refinanced as part of the merger.

## **CITIZENS: Walking the tight rope between margins and growth**

■ [John.Hodulik@ubs.com](mailto:John.Hodulik@ubs.com)

■ [Gaurav.Jaitly@ubs.com](mailto:Gaurav.Jaitly@ubs.com)

Citizens reported mixed third quarter results as better than expected revenues were offset by lower margins leading to lower than expected EBITDA of \$277.7M vs. our estimate of \$281.7M. Margins declined 220 bps sequentially to 54.8% (UBSe 55.8%) on higher costs. Management believes it can maintain margins in the 55% range over the foreseeable future despite investments in growth initiatives.

DSL net adds were disappointing in the quarter at roughly 12.3K (UBSe 23.8K). Mgmt launched new promotions in 4Q that include free PCs and one year of free video service with longer-term contract commitments. The company is seeing strong demand for these offers. We believe that while these promotions could lead to near-term margin dilution, they are a positive contributor over the life of the contract. Access line losses stabilized, declining 5.0% (UBSe -5.1%), similar to the 5.0% decline in the prior quarter and up from 4.3% a year-ago as lower losses in the Rochester market were offset by increasing competition in the western markets. FCF was \$127.6M (UBSe \$118.4M) on lower capex in the quarter (\$65M vs. UBSe \$79M). We expect capex of over \$100M in 4Q bringing '06 FCF at the high end of mgmt. guidance.

## **NOTES**

- Please see document for important legal disclosures

For additional questions, to be taken off this list or to make a change to your email address, please contact Jennifer Collier at [jennifer.collier@ubs.com](mailto:jennifer.collier@ubs.com) or 212-713-1423.

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## **■ Statement of Risk**

Risks include managements' ability to execute, potential adverse changes in regulation, changes in technology, the effects of a weak economy, increasing competition, and a large degree of operating leverage.

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<b>Buy 1</b>	FSR is > 6% above the MRA, higher degree of predictability	<b>Buy 2</b>	FSR is > 6% above the MRA, lower degree of predictability	<b>Buy</b>	49%	34%
<b>Neutral 1</b>	FSR is between -6% and 6% of the MRA, higher degree of predictability	<b>Neutral 2</b>	FSR is between -6% and 6% of the MRA, lower degree of predictability	<b>Hold/Neutral</b>	38%	32%
<b>Reduce 1</b>	FSR is > 6% below the MRA, higher degree of predictability	<b>Reduce 2</b>	FSR is > 6% below the MRA, lower degree of predictability	<b>Sell</b>	12%	27%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 30 September 2006.

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**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

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### Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time

Company Name	Reuters	Rating	Price	Price date/time
AT&T Inc. <sup>2b,4b,6a,6b,6c,7,18</sup>	T.N	Buy 1	US\$34.30	07 Nov 2006 19:37 EST
Citizens <sup>2a,4a,5,6a,18,23</sup>	CZN.N	Neutral 2	US\$14.66	07 Nov 2006 19:37 EST

Source: UBS. EST: Eastern standard time.

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In re: Application of

Citizens Communications Company

and

Commonwealth Telephone Enterprises, Inc.

For Section 214 Authority to Transfer  
Control of Domestic and International  
Authorization

File No. ITC-T/C-20060929-00450  
WC Dkt. No. 06-184

**DECLARATION OF RICHARD RAMLALL**

I, Richard Ramlall, state that:

1. I am Senior Vice President, Strategic and External Affairs, RCN Corporation ("RCN"). I am responsible for, among other things, regulatory matters for RCN at the state and federal levels. I am authorized to make this Declaration on RCN's behalf.

2. By this declaration, I support RCN's Petition to Deny, and state that, apart from the allegations of fact of which official notice may be taken, I have personal knowledge of the allegations of fact contained in the Petition to Deny.

I declare under penalty of perjury that the foregoing is true and correct. Executed on November 10, 2006.

  
\_\_\_\_\_  
Richard Ramlall

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the attached Petition to Deny was sent via first class mail, postage prepaid, and via electronic mail, on November 13, 2006 to:

Commonwealth Telephone Enterprises, Inc.  
100 CTE Drive  
Dallas, Pennsylvania 18612  
Ray Ostroski- [ray.ostroski@ct-enterprises.com](mailto:ray.ostroski@ct-enterprises.com)

Citizens Communications Company  
3 High Ridge Park  
Stamford, Connecticut 06905  
Hillary Glassman- [hilary.glassman@czn.com](mailto:hilary.glassman@czn.com)

The following were served a copy of the attached Petition to Deny via electronic mail:

FCC International Bureau  
David Krech- [david.krech@fcc.gov](mailto:david.krech@fcc.gov)  
Sumita Mukhoty- [sumita.mukhoty@fcc.gov](mailto:sumita.mukhoty@fcc.gov)

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\_\_\_\_\_  
Brian McDermott